

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - REGULAR SESSION JOINT APPROPRIATIONS SUBCOMMITTEE ON INFORMATION TECHNOLOGY

Call to Order: By **CHAIRMAN TOM ZOOK**, on January 15, 2001 at 7:00 A.M., in Room 102 Capitol.

ROLL CALL

Members Present:

Sen. Tom Zook, Chairman (R)
Rep. Matt McCann, Vice Chairman (D)
Rep. John Brueggeman (R)
Sen. John Cobb (R)
Rep. Stanley Fisher (R)
Rep. Dick Haines (R)
Sen. Royal Johnson (R)
Rep. Dave Lewis (R)
Rep. Monica Lindeen (D)
Sen. Linda Nelson (D)
Sen. Jon Tester (D)

Members Excused: Sen. Greg Jergeson (D)

Members Absent: None.

Staff Present: Greg DeWitt, Legislative Branch
Prudence Gildroy, Committee Secretary
Mary Beth Linder, OBPP
Christi Tyson, OBPP

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: INFORMATIONAL MEETING ON
INFORMATION TECHNOLOGY,
1/11/2001

{Tape : 1; Side : A}

**Tony Herbert, Administrator of the Informational Services
Division of the Department of Administration,** presented a review

of the current spending initiative and the current IT environment.

EXHIBIT (jih11a01)

In fiscal 2000, \$164,254,000 million was expended for information technology. This is about 3.21% of the total state budget and includes the University System. The information was broken down into categories and percentages. Over 72% of IT spending is to private companies for contracted services, hardware and software, telecommunications, maintenance and training. Personal services and miscellaneous expenditures stay within the state treasury. State government as a whole spends about 3.2% of the total budget for IT. The federal government spends about 11%. The top ten agencies in state government for expenditures for IT are the USYS, DPHHS, ISD, DOR, MDT, DLI, DOJ, DFWP, COR, and DEQ.

EXHIBIT (jih11a02)

Mr. Herbert handed out and explained a summary of IT expenses from the Unified IT Budget for the 2003 Biennium, not including the University System. The subcommittees will be reviewing this information. **SEN. ROYAL JOHNSON** asked where the information on the University System might be found. **Mary Beth Linder** stated that the information would be provided by the direct subcommittee and the University System. **Mr. Herbert** explained that the base for the actual expenses for the University System for fiscal 2000 was \$38,867,714. **Mary Beth Linder** noted that the \$38 million is for IT expenditures for the University System. **Mr. Herbert** then presented Part II of the report on the Status of Information Technology beginning with the keys to success. Needs were to: assist the Governor's office to become more focused in the IT area; the need for participation; the need to become more active on global issues, not just individual issues as they arise; the need to assist legislators to become more aware and knowledgeable; and the need to improve consistency in positions across leadership. He presented the existing councils that participate with the Department of Administration for IT governance. He explained the functioning of ITAC, ITMC, SEC, MGIC, MPSCC, 9-1-1 Advisory Council, the SABHRS Executive Council, and the IT Management Study Subcommittee of the Legislative Finance Committee. He evaluated IT governance and noted areas that could be improved upon. The keys to success with technology were presented--the need to stay current and grow, good planning, cost effectiveness, timeliness, and the meeting of business process needs. The IT infrastructure and agency applications were reviewed.

Tape : 2; Side : A

He explained the shared telecommunications environment and the vendors utilized for those services. An explanation was presented of the METNET video network and SUMMITNET II (the

statewide network) and the shared centralized computer systems. An explanation of return on investment was shown.

EXHIBIT(jih11a03)

The real value of technology was explained as improved service delivery, improved productivity, improved decision making, and improved cost models.

CHAIRMAN TOM ZOOK remembered a proposal from the Department of Revenue last year to add more technology to produce more return on investment (increased revenue). He described the difficulty in measuring the value from a machine versus an FTE.

SEN. JOHNSON then posed a question about how to measure improved services, improved productivity and improved decision making.

Mr. Herbert contended that it could be done on a system by system basis. **SEN. JOHNSON** addressed the "Banner System" at the University System and the complaint about getting total numbers from that system. **Mr. Herbert** said that the Banner System was intended to improve service delivery, greater financial information and student information--one reason the Banner System was chosen over PeopleSoft. The fiscal analyst needs to assess the disconnect between PeopleSoft and Banner. Some of the expectations with People Soft were realized. The new version of SABHRS has new capabilities. One example is statewide automated time entry for payroll (improved productivity). **Mr. Herbert** offered to get together with **SEN. JOHNSON** and university and LFD staff to discuss the concerns regarding the PeopleSoft/Banner issue.

REP. STANLEY FISHER commented that, over the years, information technology was supposed to cut down on people and make operations more efficient, but every year there are requests for more FTEs and equipment. He wondered if there will be an end to it. **Mr. Herbert** stated the need to maintain and add to the systems and keep improving existing processes. He thought systems generally were significantly more efficient now than in the beginning. He used the example of producing a letter in minutes whereas previously a decent letter would take half a day to produce utilizing hard copy, white-out, typewriters, etc.

REP. FISHER further questioned if the information going out is useful or just "make work." **Mr. Herbert** answered that at times there may be "make work."

REP. DAVE LEWIS portrayed his age group as not understanding technology, embracing it as an article of faith, but never really seeing the proof in the pudding. He used the example of the

failure of Priceline.com to illustrate that sometimes great technologies can't make any money. He stated that the DPHS budget for annual maintenance is \$10 million a year, an amount that would buy a lot of eligibility technicians. He wondered where was the return and how to justify the continued massive investment. **Mr. Herbert** again defended the IT investments. Generally, efficiencies are so good, that the investments in IT are some of the best dollars spent. \$10 million dollars could not cover the amount needed for eligibility technicians to do the work. Without SUMMITNET network, which will cost about \$2 million annually and allow all the agencies to communicate, the basic business of the government could not be accomplished. This is not a question of no technology, but a question of the best cost and the best management of that technology. Some of the investments in technology are absolute requirements and in some cases there is no longer a great deal of discretion. The questions become: how much, when, timing, planning, scalability, and is it current. Each system needs to be looked at individually.

SEN. LINDA NELSON commented that the use of technology is over done-- there is too much paper being generated. **Mr. Herbert** replied that IT investments are current and modern, scalable and cost effective. The timeliness of investments is complicated by the 2 year legislative process. The pace of technology outstrips that cycle.

Tape : 2; Side : A

Mr. Herbert then described the state IT staff as competent, committed to Montana, but underpaid compared to national averages. Trained staff often leaves for higher paying positions in the private sector.

SEN. JOHN COBB inquired about raising the pay scale versus buying equipment. **Mr. Herbert** recounted losing 4 people from his staff last month, including one person that left for a 50% increase.

SEN. COBB again commented that maybe the state should buy less (technology) and increase pay rates. **Mr. Herbert** described the use of selective out-sourcing, but commented that if there was more state staff and less consulting there could be a positive effect on overall expenditures.

REP. FISHER observed that he does not like picking up the phone and being told what to do by a machine. He wondered about the technology stocks and what would happen in an overload. **Mr. Herbert** replied that many companies had losses in 2000. **REP. FISHER** again wondered if all the technology is needed. **Mr. Herbert** stated that he was comfortable that state government

operates a whole lot better with the right investments in technology than it would ever be able to if those right investments were not made. The challenge is what are the right investments.

SEN. JOHNSON asked if the IT staff is 5% of the total FTE, what percent of those are exempt employees. **Mr. Herbert** replied that none are exempt. They are all classified employees.

REP. DICK HAINES commented that if investments were stopped cold for two years, that the state would not then be just two years behind, but exponentially behind. That is how fast this technology is changing. That in itself gives the indication that there is no end--it is a process. He stated that if the state stopped today, it would be laughed off the continent. Liking it is not a requirement, the cost is not pleasant, but there is no choice. **Mr. Herbert** then presented a list of the State business partners. 72% of State IT expenditures are with the private sector. These business partners are qualified and committed. The Center for Digital Government, in statewide reviews of how states are doing in different categories of information technology, rated Montana high in the category of higher education and low in K-12 education.

REP. MATT McCANN stated that he had difficulty with the accelerated rate. He asked what those rates were, what they are today and what they would be down the road. (ISD rates). **Mr. Herbert** stated that ISD rates were a key part of the overall presentation and would be presented at the next meeting of the committee.

ADJOURNMENT

Adjournment: 8:15 A.M.

SEN. TOM ZOOK, Chairman

PRUDENCE GILDROY, Secretary

TZ/PG

EXHIBIT(jih11aad)